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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

Arizona Corporation Commission

**DOCKETED**

DEC -9 2008

DOCKETED BY

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In the matter of:

PATRICK ALLEN ROBERTS, a married  
man,

SHERI L. KROUSE, a married woman,

MOTORS DE AMIGOS, INC., an Arizona  
corporation,

ROCK'N R CAR COMPANY  
ENTERPRISES, INC., an Arizona  
corporation doing business as R&R  
Remarketing, an Arizona registered trade  
name,

Respondents.

DOCKET NO. S-20622A-08-0476

DECISION NO. **70633**

**ORDER TO CEASE AND DESIST, ORDER  
OF RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME  
BY: RESPONDENTS PATRICK ALLEN  
ROBERTS, SHERI L. KROUSE, MOTORS DE  
AMIGOS AND ROCK'N R CAR COMPANY  
ENTERPRISES, INC.**

Respondents PATRICK ALLEN ROBERTS, SHERI L. KROUSE, MOTORS DE  
AMIGOS, INC. and ROCK'N R CAR COMPANY ENTERPRISES, INC. ("Respondents") elect  
to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities  
Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease  
And Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same  
("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission  
("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in  
this Order; and consent to the entry of this Order by the Commission.

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## **I. FINDINGS OF FACT**

1. PATRICK ALLEN ROBERTS ("ROBERTS") is an individual who, at all times relevant hereto, resided in Maricopa County, Arizona.

2. SHERI L. KROUSE (“KROUSE”) is an individual who, at all times relevant, resided in Maricopa County, Arizona. ROBERTS and KROUSE are husband and wife. At all times relevant, ROBERTS and KROUSE were acting for their own benefit, and for the benefit of and in furtherance of their marital community.

3. MOTORS DE AMIGOS, INC. ("MOTORS DE AMIGOS") and ROCK'N R CAR COMPANY ENTERPRISES, INC. ("ROCK'N R CAR") are Arizona corporations, each with at least one business location in Phoenix, Arizona.

4. R&R Remarketing is an Arizona registered trade name. ROCK'N R CAR is the agent/owner of the Arizona registered trade name R&R Remarketing ("R&R").

5. KROUSE is identified in documents filed with the Arizona Corporation Commission as statutory agent, president, chief executive officer, director and shareholder of MOTORS DE AMIGOS and as president, director and shareholder of ROCK'N R CAR.

6. ROBERTS, KROUSE, MOTORS DE AMIGOS and ROCK'N CAR may be referred to collectively as "Respondents" as the context requires.

7. Beginning in August 2007 and continuing through August 2008, Respondents solicited \$290,150 from nine investors through the offering of unregistered securities in the form of promissory notes. Respondents have re-paid to investors amounts totaling \$114,387.

8. Respondents solicited Arizona investors through newspaper advertisements. One such newspaper advertisement from the August 19, 2007 edition of the *Arizona Republic* stated:

Looking for Investor for Buy Here,  
Pay Here Lot, 25% return on your \$\$  
602-380-4892

1           9.     A more recent newspaper advertisement from the July 27, 2008 edition of the  
2 *Arizona Republic* stated:

3                               **Hey Investors! Finance Com-**  
4                               **pany Growing. 20% Return.**  
5                               **SECURED. Pat 602-380-4892**

6           10.    On July 16, 2008, at least one potential Arizona investor ("PAI") called the  
7 telephone number in the newspaper advertisement (602) 380-4892 and spoke with ROBERTS.

8           11.    ROBERTS told the PAI that he owned and operated MOTORS DE AMIGOS, a  
9 used car lot that purchased used cars from new car dealers. According to ROBERTS, the cars were  
10 safety checked and reconditioned, if necessary, before being placed on the lot for sale to the public.

11           12.   ROBERTS also told the PAI that he owned and operated a finance company, R&R,  
12 which provided lending on the sale of used cars.

13           13.   The articles of incorporation and other related corporate documents filed with the  
14 Arizona Corporation Commission on behalf of MOTORS DE AMIGOS and ROCK'N R CAR do  
15 not identify ROBERTS as an owner or officer.

16           14.   ROBERTS informed the PAI that he was seeking investors to create additional  
17 capital to expand MOTORS DE AMIGOS and R&R through the purchase of additional vehicles  
18 and the opening of additional used car lots.

19           15.   ROBERTS informed the PAI that he had experience in operating used car lots,  
20 similar to MOTORS DE AMIGOS, dating back at least 10-15 years.

21           16.   ROBERTS informed the PAI that his company, MOTORS DE AMIGOS, had been  
22 in existence for about a year with a business portfolio of approximately \$1,200,000 and eight  
23 investors who had invested nearly \$400,000.

24           17.   ROBERTS explained to the PAI that he was paying returns of 20% per annum to  
25 investors.

26           18.   ROBERTS told the PAI that any investment in MOTORS DE AMIGOS could be  
documented using any one of various methods including: a) a contract, in the form of a promissory

1 note, between the investor and MOTORS DE AMIGOS and KROUSE; or b) a contract between  
2 the investor and MOTORS DE AMIGOS secured by the business assets of MOTORS DE  
3 AMIGOS; or c) by placing the investor's name on the title to vehicles sold by MOTORS DE  
4 AMIGOS.

5 19. ROBERTS concluded the phone conversation with the PAI by providing the PAI  
6 with the location of the MOTORS DE AMIGOS car lot where they could meet, 3707 W. Indian  
7 School Rd., Phoenix, Arizona.

8 20. The PAI traveled to the location on West Indian School Road. Upon arrival, the  
9 PAI was met by KROUSE who proceeded to introduce him to ROBERTS. ROBERTS and  
10 KROUSE repeated to the PAI the information conveyed to the PAI during the telephone  
11 conversation. In addition, ROBERTS provided additional details related to how he conducted the  
12 business.

13 21. Together ROBERTS and KROUSE discussed with the PAI various documents  
14 provided, by either ROBERTS or KROUSE, to the PAI including a spreadsheet of the monthly  
15 disbursements for MOTORS DE AMIGOS and R&R along with a spreadsheet of total assets and  
16 liabilities.

17 22. ROBERTS and KROUSE also gave the PAI a copy of a promissory note executed  
18 between KROUSE, MOTORS DE AMIGOS and an individual that ROBERTS and KROUSE  
19 described as an investor. ROBERTS told the PAI that the investor would provide assurance to the  
20 PAI that the investor was receiving the interest payments at a rate of 20% pursuant to the terms  
21 contained in the promissory note.

22 23. ROBERTS indicated to the PAI that he could draw up a contract or promissory note  
23 immediately upon the PAI deciding that he wanted to invest.

24 24. Respondents failed to adequately disclose to investors the risks associated with the  
25 investments including that the return of investors' principal investment and/or promised profits was  
26

entirely dependent on the ability of Respondents to secure performing loans in connection with the purchase of used cars from the MOTORS DE AMIGOS car lot.

25. Respondents failed to fully explain to investors how the investment was being secured and the risks associated with each of the various methods used to secure the investment.

## II. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as dealers or salesmen nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by making untrue statements or misleading omissions of material facts including, but not limited to, the following:

a. Failing to adequately disclose to investors the risks associated with the investments including that the return of investors' principal investment and/or promised profits was almost entirely dependent on the ability of Respondents to secure performing loans in connection with the purchase of used cars from the MOTORS DE AMIGOS car lot;

b. Failing to fully explain to investors how the investment was being secured and the risks associated with each of the various methods used to secure the investment;

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

1           7.       Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
2 2032.

3           8.       Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-  
4 2036.

5           9.       Respondents acted for the benefit of their marital community and, pursuant to  
6 A.R.S. §§ 25-214 and 25-215, this Order of restitution and administrative penalties is a debt of the  
7 community.

### 8                                   **III. ORDER**

9           THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'  
10 consent to the entry of this Order, attached and incorporated by reference, the Commission finds  
11 that the following relief is appropriate, in the public interest, and necessary for the protection of  
12 investors:

13           IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of  
14 Respondents' agents, employees, successors and assigns, permanently cease and desist from  
15 violating the Securities Act.

16           IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry  
17 of Order.

18           IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall, jointly  
19 and severally, pay restitution to the Commission in the amount of \$290,150. This restitution  
20 amount reflects the total amount of the promissory notes executed between Respondents and  
21 investors. Respondents shall be entitled to receive a credit toward the restitution amount for all  
22 payments made by Respondents directly to the investors shown on the records of the Commission.  
23 It shall be the sole responsibility of Respondents to provide all information and documentation  
24 deemed satisfactory to the Commission in order to verify that said payments have been made.  
25 Payment shall be made in full on the date of this Order. Any amount outstanding shall accrue  
26 interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall

1 be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the  
2 Commission. The Commission shall disburse the funds on a pro-rata basis to investors shown on  
3 the records of the Commission. Any restitution funds that the Commission cannot disburse  
4 because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the  
5 remaining investors shown on the records of the Commission. Any funds that the Commission  
6 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the  
7 state of Arizona.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall, jointly  
9 and severally, pay an administrative penalty in the amount of \$25,000. Payment shall be made to  
10 the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum  
11 from the date of this Order until paid in full. The payment obligations for these administrative  
12 penalties shall be subordinate to any restitution obligations ordered herein and shall become  
13 immediately due and payable only after restitution payments have been paid in full or upon  
14 Respondents' default with respect to Respondents' restitution obligations.

15 IT IS FURTHER ORDERED that the marital community of Patrick Allen Roberts and  
16 Sheri L. Krouse is subject to this Order of restitution and administrative penalties.

17 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of  
18 default. If any Respondent does not comply with this Order, any outstanding balance may be  
19 deemed in default and shall be immediately due and payable.

20 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
21 Commission may bring further legal proceedings against that Respondent, including application to  
22 the superior court for an order of contempt.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
Executive Director of the Arizona Corporation  
Commission, have hereunto set my hand and caused the  
official seal of the Commission to be affixed at the  
Capitol, in the City of Phoenix, this 9<sup>th</sup> day of  
December, 2008.

  
BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, ADA Coordinator,  
voice phone number 602-542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

(wwb)



**CONSENT TO ENTRY OF ORDER**

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2       1.       Respondents PATRICK ALLEN ROBERTS, SHERI L. KROUSE, MOTORS DE  
3 AMIGOS, INC. and ROCK'N R CAR COMPANY ENTERPRISES, INC ("Respondents") admit  
4 the jurisdiction of the Commission over the subject matter of this proceeding. Respondents  
5 acknowledge that they have been fully advised of their right to a hearing to present evidence and  
6 call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing  
7 before the Commission and all other rights otherwise available under Article 11 of the Securities  
8 Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order  
9 To Cease And Desist, Order of Restitution, Order for Administrative Penalties and Consent to  
10 Same ("Order") constitutes a valid final order of the Commission.

11       2.       Respondents knowingly and voluntarily waive any right under Article 12 of the  
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief  
13 resulting from the entry of this Order.

14       3.       Respondents acknowledge and agree that this Order is entered into freely and  
15 voluntarily and that no promise was made or coercion used to induce such entry.

16       4.       Respondents understand and acknowledge that they have a right to seek counsel  
17 regarding this Order, and that they have had the opportunity to seek counsel prior to signing this  
18 Order. Respondents acknowledge and agree that, despite the foregoing, they freely and voluntarily  
19 waive any and all right to consult or obtain counsel prior to signing this Order.

20       5.       Respondents neither admit nor deny the Findings of Fact and Conclusions of Law  
21 contained in this Order. Respondents agree that they shall not contest the validity of the Findings  
22 of Fact and Conclusions of Law contained in this Order in any present or future administrative  
23 proceeding before the Commission or any other state agency concerning the denial or issuance of  
24 any license or registration required by the state to engage in the practice of any business or  
25 profession.  
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1           6. By consenting to the entry of this Order, Respondents agree not to take any action  
2 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding  
3 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
4 factual basis. Respondents will undertake steps necessary to assure that all of Respondents' agents  
5 and employees understand and comply with this agreement.

6           7. While this Order settles this administrative matter between Respondents and the  
7 Commission, Respondents understand that this Order does not preclude the Commission from  
8 instituting other administrative or civil proceedings based on violations that are not addressed by  
9 this Order.

10          8. Respondents understand that this Order does not preclude the Commission from  
11 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
12 that may be related to the matters addressed by this Order.

13          9. Respondents understand that this Order does not preclude any other agency or  
14 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
15 proceedings that may be related to matters addressed by this Order.

16          10. Respondents agree that they will not apply to the state of Arizona for registration as  
17 a securities dealer or salesman or for licensure as an investment adviser or investment adviser  
18 representative until such time as all restitution and penalties under this Order are paid in full.

19          11. Respondents agree that they will not exercise any control over any entity that offers  
20 or sells securities or provides investment advisory services within or from Arizona until such time  
21 as all restitution and penalties under this Order are paid in full.

22          12. Respondents agree that they will not sell any securities in or from Arizona without  
23 being properly registered in Arizona as a dealer or salesman, or exempt from such registration;  
24 Respondent will not sell any securities in or from Arizona unless the securities are registered in  
25 Arizona or exempt from registration; and Respondent will not transact business in Arizona as an  
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1 investment adviser or an investment adviser representative unless properly licensed in Arizona or  
2 exempt from licensure.

3 13. Respondents agree that they will continue to cooperate with the Securities Division  
4 including, but not limited to, providing complete and accurate testimony at any hearing in this  
5 matter and cooperating with the state of Arizona in any related investigation or any other matters  
6 arising from the activities described in this Order.

7 14. Respondents acknowledge that any restitution or penalties imposed by this Order  
8 are obligations of the Respondent as well as the marital community.

9 15. Respondents consent to the entry of this Order and agree to be fully bound by its  
10 terms and conditions.

11 16. Respondents acknowledge and understand that if they fail to comply with the  
12 provisions of the order and this consent, the Commission may bring further legal proceedings  
13 against them, including application to the superior court for an order of contempt.

14 17. Respondents understand that default shall render them liable to the Commission for  
15 its costs of collection and interest at the maximum legal rate.

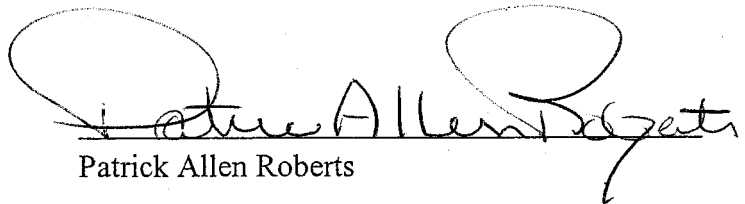
16 18. Respondents agree and understand that if they fail to make any payment as required  
17 in the Order, any outstanding balance shall be in default and shall be immediately due and payable  
18 without notice or demand. Respondents agree and understand that acceptance of any partial or late  
19 payment by the Commission is not a waiver of default by the Commission.

20 19. Respondent Krouse represents that she is the statutory agent, president, chief  
21 executive officer, director and shareholder of MOTORS DE AMIGOS and president, director and  
22 shareholder of ROCK'N R CAR and has been authorized by MOTORS DE AMIGOS AND  
23 ROCK'N CAR to enter into this Order for and on their behalf.

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Patrick Allen Roberts

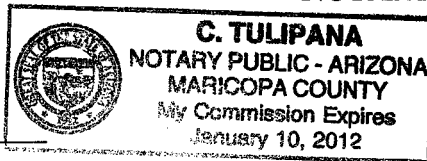
STATE OF ARIZONA       )  
  ) ss  
County of Maricopa       )

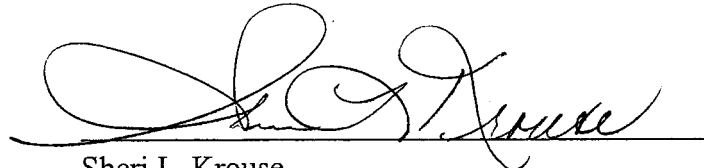
SUBSCRIBED AND SWORN TO BEFORE me this 12 day of NOVEMBER, 2008.

  
NOTARY PUBLIC

My commission expires:

01-10-2012



  
Sheri L. Krouse

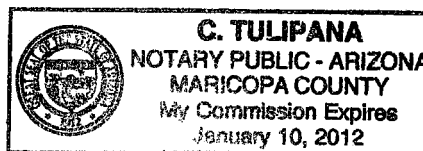
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SUBSCRIBED AND SWORN TO BEFORE me this 12 day of NOVEMBER, 2008.

  
NOTARY PUBLIC

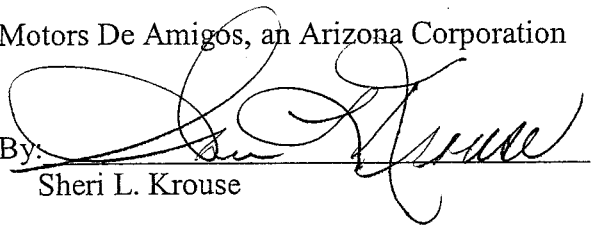
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01-10-2012



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Motors De Amigos, an Arizona Corporation

By:   
Sheri L. Krouse

Its: Statutory Agent, President, Chief Executive  
Officer, Director and Shareholder

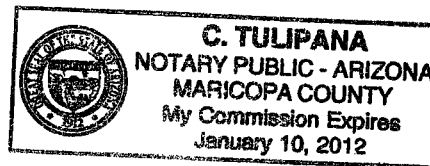
STATE OF ARIZONA       )  
                                  ) ss  
County of Maricopa       )

SUBSCRIBED AND SWORN TO BEFORE me this 12<sup>th</sup> day of NOVEMBER, 2008.

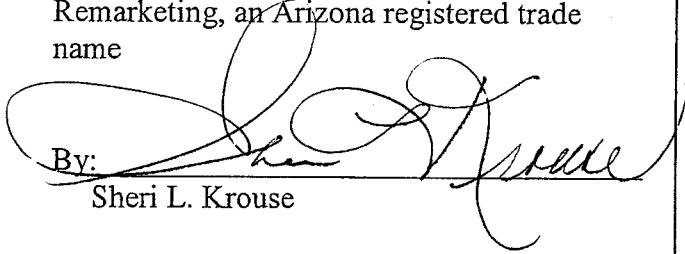
  
NOTARY PUBLIC

My commission expires:

01-10-2012



Rock'N R Car Company Enterprises, Inc., an  
Arizona corporation doing business as R&R  
Remarketing, an Arizona registered trade  
name

By:   
Sheri L. Krouse

Its: President, Director and Shareholder

STATE OF ARIZONA            )  
  ) ss  
County of                        )

SUBSCRIBED AND SWORN TO BEFORE me this 12<sup>th</sup> day of NOVEMBER, 2008.

 NOTARY PUBLIC

My commission expires:

01-10-2012

